

August 19, 2010

Via ECFS

Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554

Re: *Notice of Ex Parte Presentation - Network Enhanced Telecom, LLP*
(WC Docket No. 06-122)

Dear Ms. Dortch:

On August 18, 2010, Network Enhanced Telecom, LLP (“NetworkIP”) met with staff from the Wireline Competition Bureau’s Telecommunications Access Policy Division (“TAPD”) to discuss universal service contribution issues. NetworkIP was represented by Pete Pattullo, Founder and CEO; Toni Van Burkleo, Chief Financial Officer (by teleconference); and undersigned counsel. TAPD staff attending the meeting were Vickie Robinson, Deputy Chief; Nicholas Degani (in person); and Claudia Fox, Carol Pomponio, and Chin Yoo (by teleconference). The discussion followed the attached slide presentation, which was distributed to the meeting attendees.

Sincerely,

/s/

L. Charles Keller

Attachment

cc (email): Vickie Robinson
Claudia Fox
Carol Pomponio
Nicholas Degani
Chin Yoo



Prepaid Card Industry

USF Contribution Reform Brainstorming Session

Pete Pattullo, Founder & CEO
August 18th, 2010

About NetworkIP

- Founded in 1998, NetworkIP is a privately held Texas technology company with 75+ employees, providing a hosted voice and transactions services platform.
- It was NetworkIP's philosophy and mission to solve the inherent control needs of companies with marketing vision and distribution relationships in the Prepaid Card Industry.
- **Pioneered** a virtual switch platform business model that gives carrier customers full control of their prepaid card product attributes, consumer experience, and billing methodologies, while at the same time eliminating the distraction of managing the switch operations and technology needed to support it.
- NetworkIP provides its Hosted Services Platform via a GUI interface & a set of robust APIs that can be accessed from any internet-enabled computer. In today's terminology, NetworkIP would be called a "Software as a Service" (SaaS) provider – like a "cloud computing" solution for prepaid card providers.
- Currently supports over 100 carrier customers with over a billion end-user accounts, generating a peak of 3 million transactions per day, with utilization of half a billion minutes per month.

Why is NetworkIP here ?

- Seen and experienced first hand the impact of USF failed policies and USAC's interpretation of the current rules.
- Want a predictable, level & competitive regulatory playing field
- Educate FCC on:
 - The ecosystem of the Prepaid Card Industry
 - Unique distribution characteristics of this industry
- Identify the issues with the current USF contribution rules
 - USF contribution rules are confusing and enforcement arbitrary and capricious.
 - The complexity of the telecommunication industry is making it impossible to enforce the current rules in a fair and consistent manner

The revised contribution methodology must be workable for ALL contributors. In its reform effort, the Commission must bear in mind all affected entities, large and small.

Today's Prepaid Card Ecosystem

Elements

Wholesale Carriers



Prepaid Platforms



Prepaid Service Providers



Distributors



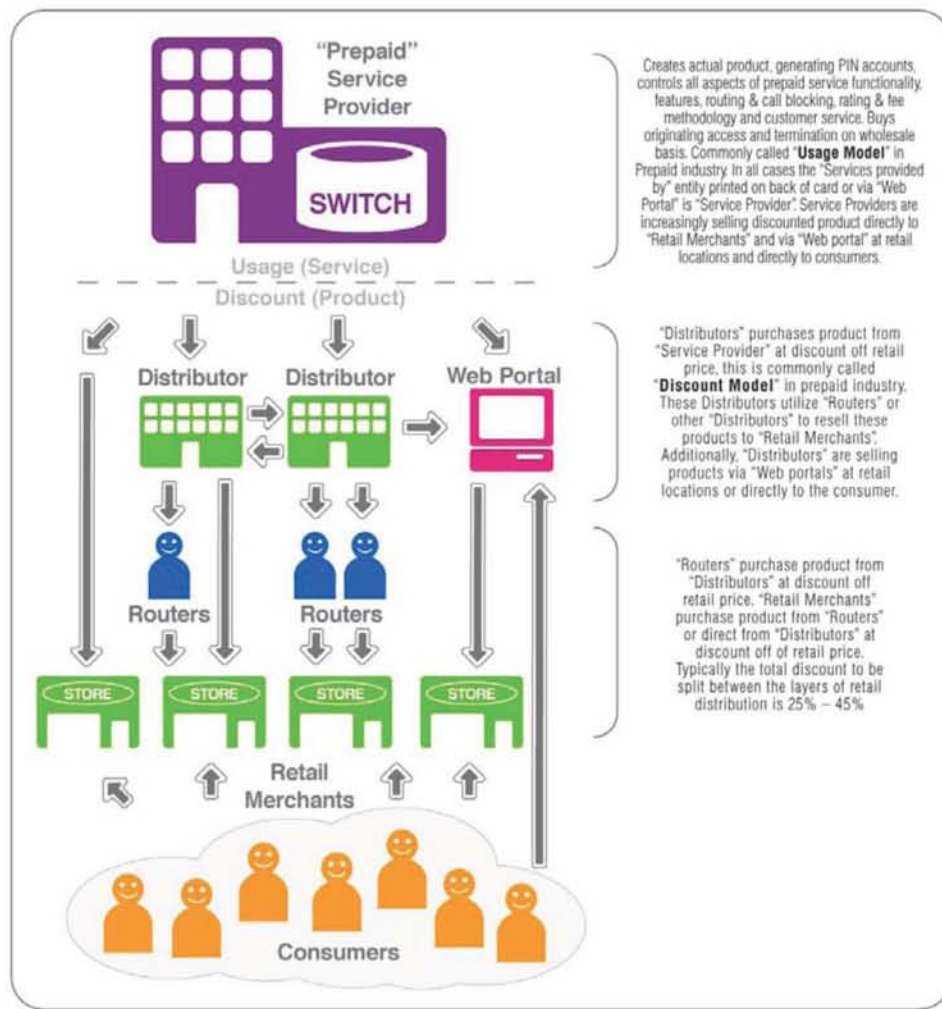
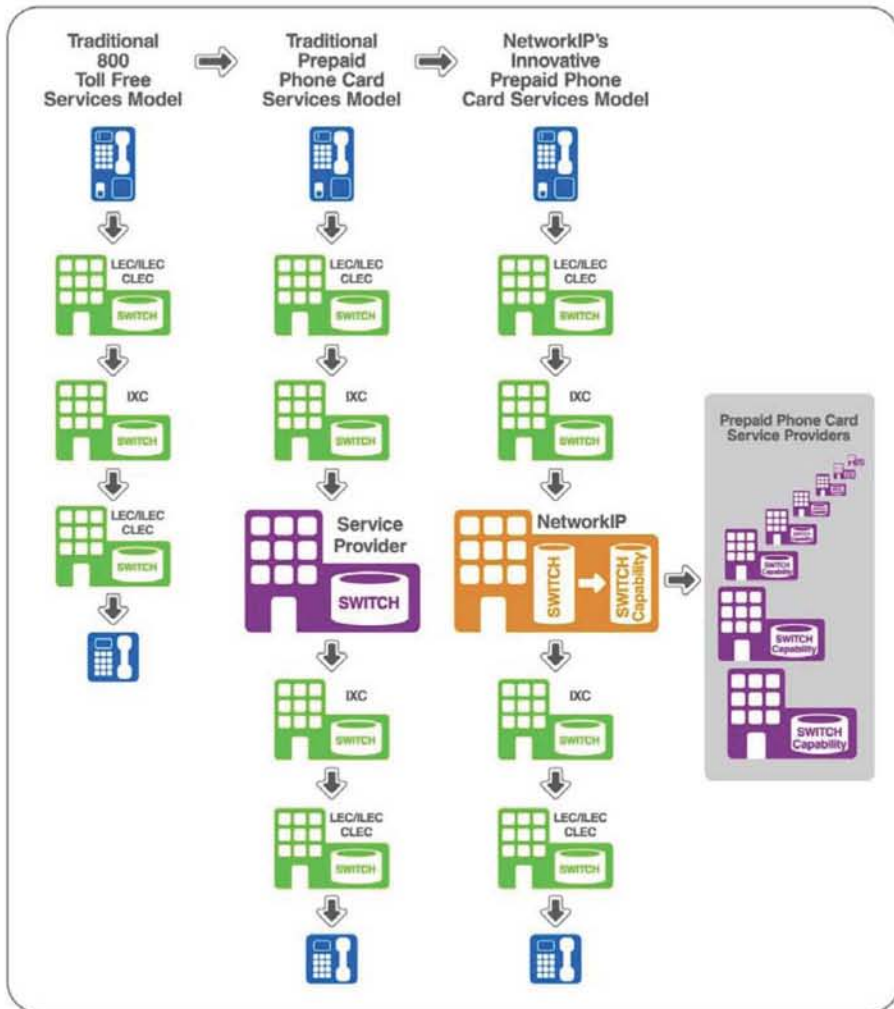
Routers



Retailers



Prepaid Card Network and Distribution Model



Prepaid card Service Providers & related entities:

- **The definition of a prepaid card provider in the instructions is unclear** and seems disconnected from the rules. It is clear that the FCC and USAC are not on the same page. In the prepaid card value chain, which entity is obligated to contribute? The answer must be clear to all parties. It should be the last telecommunications carrier in the value chain that controls the number of minutes and rate of decrementing of minutes from the card.
- **The instruction that *all* prepaid card revenues are to be treated as end-user revenues is not applicable or tenable** to an industry that sells telecommunication products through traditional retail distribution channels, where the retailer may set the final face value price. Prepaid card revenues are end-user revenues only when they are, in fact, from end users.
- **Eliminate the “face value” instruction.** Some prepaid cards are denominated in minutes, and the last telecommunications carrier in a prepaid card value chain may not know the price for which the card is sold. Instead, assess the revenue received by the last telecommunications carrier in the value chain.

General applicability, affecting prepaid card providers

- **The current system is very difficult to understand.** The prepaid industry is complex and has low barriers to entry. Numerous small providers are subject to the contribution rules, and have to hire expensive attorneys to figure out how to comply. The complexities of the current system make it impossible to assure uniform USF enforcement and a competitive level playing field.
 - The existing contribution rules are too vague, leaving too many important contribution issues to be interpreted using the Instructions. Instructions are poorly worded; it is unclear which directives are suggestions and which are requirements.
 - All contribution requirements significantly affecting any carriers' contribution amounts should be written into the rules (not just the Instructions).
 - The instructions for de minimis carriers are very confusing (1) It is very difficult for these Carriers to determine, in a forward-looking way, whether they will be de minimis for the coming year, and (2) many don't understand they need to file a Form 499 if they are a telecommunications carrier (for example, for contributions to the other funds).
 - Managing the current contribution base for USF, TRS, NANPA, and LNP is too complex. The Commission should assess contributions to all funds based on the same revenue base.

General applicability, affecting prepaid card providers (cont...)

- Contributors' responsibilities related to reporting revenue as "revenue from resellers" (Block 3).
 - Certification and due diligence requirements are difficult to understand and have not been implemented in a uniform manner.
 - Current approach does adequately account for a value chain with multiple links (intermediate resellers).
 - The FCC's website for checking other entities' status is not user-friendly. It is not updated frequently enough, and it is unclear what each field means and the contribution responsibilities for which contributors may rely upon it.
 - Carriers that make reasonable attempts to follow the rules still find their revenues reclassified later. Carriers need certainty that, if they follow the rules, their revenue will not be reclassified later.
 - Consider replacing the existing certification/due diligence system with a clear, thorough FCC database that is updated in real time (at *least* monthly). The database would allow contributors to know, on a month-to-month basis, which customers can be treated as resellers. The database should contain, on a real-time basis, all information that auditors would seek to confirm forensically in an audit.

General applicability, affecting prepaid card providers (cont....)

- If certification is not replaced with an FCC database, standardize and streamline the certification and due diligence process. The process should be clear, unequivocal, and uniform across all carriers.
- **Currently, each contributor does not necessarily bear its own contribution responsibility.** In the current process, if a provider fails to contribute, USAC sometimes looks to the contributor's underlying carriers. USAC/FCC does not always bring enforcement directly against the entity that is required to contribute.
 - Clarify that carriers are not USAC's collection agents. Require USAC to pursue the carrier with the contribution obligation. Do not permit USAC to pursue other carriers that do business with the offending carrier.
 - In addition to USF, this same issue applies to TRS/NANPA/LNP contribution obligations as well (Line 511).

No Face Value

